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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
MTS and WATS Market Structure ) RM No. 8408  
Amendment of Part 36 of the )  
Commission's Rules and )  
Establishment of a Joint Board )

REPLY OF SPRINT COMMUNICATIONS COMPANY L.P.

Sprint Communications Company L.P. ("Sprint"), pursuant to 1.405(b) of the Commission's Rules, hereby replies to the comments filed on January 14, 1994 in the response to "Petition of American Telephone and Telegraph Company for Rulemaking" ("AT&T's Petition") in the above-captioned matter.

In its comments, Sprint opposed AT&T's request that the Commission establish "a rulemaking proceeding or proceedings" to consider replacing, on a temporary or permanent basis, the current line based method of calculating Universal Service Fund ("USF") contributions to a method based upon gross revenues (Opposition of Sprint at 1). Sprint demonstrated that there is no basis for initiating a new rulemaking proceeding, or otherwise granting the relief requested by AT&T. On the contrary, AT&T's Petition is so flawed by serious internal inconsistencies as to make it difficult to determine the precise relief that it is seeking. All that can be gleaned from the petition is that AT&T is seriously dissatisfied with the existing method of Universal Service Fund allocation based on presubscribed lines. Although AT&T

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suggests that the Commission initiate one or more new rulemakings to establish a revenue-based method of allocation, there is no way of knowing precisely what AT&T intends to accomplish in any such further proceeding; how such proceeding would relate to AT&T's earlier request for rulemaking in 1989; or how such proceeding would relate to the Commission's recently completed interim investigation and soon-to-be-initiated comprehensive investigation in CC Docket No. 80-286.

Sprint further demonstrated that AT&T has made no showing that the existing method of allocating USF costs was either unfair or discriminatory. Since the monies collected by the USF are intended as a subsidy, these monies cannot be allocated on a cost-causative basis and, at least from an economic standpoint, any means of allocation must be considered to be largely arbitrary. If anything, since the USF subsidy is designed to support nontraffic sensitive loop plant, it would seem equitable to recover these costs on a nontraffic-sensitive basis from other nontraffic sensitive loop plant: that is, by assessing a flat charge on IXCs for each prescribed line. AT&T's contrary argument is based on a rather obvious logical flaw. AT&T has simply assumed the conclusion that needs to be proven; i.e., it has assumed that "revenues" are the only legitimate basis upon which USF costs can be allocated. Based on this assumption, AT&T regards any amount paid to the USF in excess of what would be paid under a revenue-based allocation as discriminatory. However, since AT&T premise is incorrect, its claim of discrimination is

incorrect as well. The fact that AT&T may make a higher contribution to the USF based on presubscribed lines than would be the case with an allocative methodology based on "revenues," proves nothing other than that the two methodologies are different.

Other than Sprint, no party filing comments has undertaken a serious analysis of the current line based method or other possible methods of collecting USF contributions. And, almost without exception, no party discusses the administrative problems and equitable concerns related to a particular method of allocation in any detail. However, the National Telephone Cooperative Association ("NTCA") does point out that "AT&T provides only a cursory discussion of its proposed interim allocation" and that, "in the absence of a more detailed proposal it is difficult for NTCA to determine whether such a plan could be administered with reasonable ease and certainty and whether it would be fair to the entire industry" (NTCA Comments at 2-3).

Although several parties expressed their "sympathies" with AT&T's position, this sympathy appears to be nothing more than the result of AT&T "missionary work" and a tribute to its remaining monopsony power. For example, several small local exchange carriers filed single paged letters which are strikingly similar in form and content (see, e.g. letters of the McClure Telephone Co., St. Joseph Telephone and Telegraph, Siskiyou Telephone, and Wauneta Telephone Co.).

Except possibly for Ameritech, all other parties filing comments made clear their opposition to a "piecemeal" approach

inherent in AT&T's request for a separate "rulemaking" or "rulemakings." Instead, to the extent that the question of allocation is to be considered, the parties generally agree that this should be done "...in the upcoming permanent rulemaking on the USF."<sup>1</sup> The underpinnings for such an approach are suggested in the comments of Pacific and Nevada Bell which state

...we are opposed to a temporary allocation method pending review of any permanent changes in funding of the USF....[A] piecemeal change, such as a temporary allocation method, does not attack the underlying issues and may perpetuate other problems by removing some of the urgency in dealing with USF and other subsidy issues. Piecemeal changes also tend to delay comprehensive revisions because Commission resources must be diverted to narrowly focused issues prior to being applied to a broad proceeding (at 2).

Thus, if AT&T believes that the method of USF allocation must be changed, it may urge such position in its comments in the pending review of permanent changes in the funding of the USF. It makes no sense--from either a procedural or substantive standpoint--to initiate the piecemeal "proceeding or proceedings" requested by AT&T.

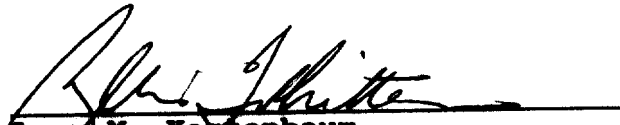
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<sup>1</sup>See Comments of GCI, GTE, Pacific and Nevada Bell, NECA, NRTA, NTCA, OPASTCO, Southwestern Bell, and U S West.

WHEREFORE, Sprint respectfully submits that AT&T's  
Petition for Rulemaking be denied.

Respectfully submitted,

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January 31, 1994

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing REPLY OF SPRINT COMMUNICATIONS COMPANY L.P. was sent by United States first-class mail, postage prepaid, on this the 31st day of January, 1994, to the below-listed parties.

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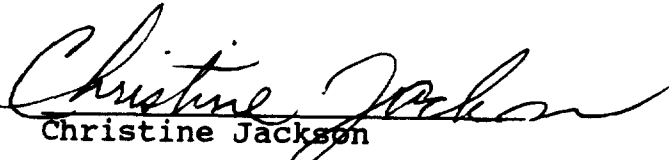
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